



**Asia-Pacific
Economic Cooperation**

Corporate Social Responsibility in the APEC Region

Current Status and Implications

**Economy Paper:
New Zealand**

APEC Report on New Zealand

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Corporate Social Responsibility (CSR) in New Zealand is often considered to be, first, behind developments in other international markets, typically the USA and England, in terms of community engagement, second, potentially up to par in terms of supply chain, and, third, possibly ahead in terms of environmental stewardship.

For the purpose of this document the writers have classified CSR into the following sub groups:

Section One:

Legal compliance, human rights, governance of enterprise and human resources management

Section Two:

Community engagement, environmental stewardship

Section Three:

Management of supply chains

Section Four:

Challenges and future opportunities

General Background

The establishment of the welfare state in New Zealand from the late nineteenth century meant that at the time Sir John McKenzie established the JR McKenzie Trust, the provision of health, education and welfare services was perceived by both the government and the public as a government responsibility. There was little call for the philanthropic funding of basic social services.

Corporate or company trusts are recent arrivals on the New Zealand philanthropic scene and are estimated to hold only 1% of the total assets held by trusts and foundations in New Zealand

New Zealand Philanthropy News Autumn 2005

New Zealand has, since the late nineteenth century, been strongly influenced by social welfare philosophies. Political parties of all persuasions have, on the whole accepted this tradition, the exception being the major reform period between 1984-1999. A commitment to robust social safety nets, coupled to a traditional emphasis placed on self-reliance, squeezed the space in which philanthropy in, for example, the

US tradition, might have flourished. This is equally true for workplace and market practices. New Zealand has a long tradition of legislative regulation of the workplace, the labour market and market arrangement more generally. Companies generally felt that adherence to the legislative framework was sufficient acceptance of responsibility, requiring little further company-level initiative.

Section One¹:

New Zealand has a full complement of legislation relating to human rights, the governance of the enterprise and human resources management

Human Rights

The recently amended [Human Rights Act](#) is the main piece of domestic human rights legislation. This Act is intended to provide better protection of human rights in New Zealand in general accordance with the [International Covenant on Civil and Political Rights](#) and the [International Covenant on Economic, Social and Cultural Rights](#).

The Human Rights Act 1993 aims to enhance basic human rights protection in New Zealand by promoting freedom from discrimination.

Prohibited grounds of discrimination

The act prohibits discrimination against a person or group on the prohibited grounds of discrimination set out in section 21 of that Act.

The prohibited grounds are:

- a) Sex (including pregnancy)
- b) Marital status
- c) Religious belief
- d) Ethical belief
- e) Colour
- f) Race
- g) Ethnic/national origin
- h) Disability
- i) Age (16 and over)
- j) Political opinion
- k) Employment status
- l) Family status
- m) Sexual orientation

When the Human Rights Act first became legislation in 1993, the Government had an exemption from that Act (which expired end-2001). That exemption protected:

- all legislation and regulations from challenge under that Act; and
- any discriminatory actions under the "new" grounds of discrimination (from (h)-(m) above).

It applied to government and any agencies acting on behalf of government. As a result of the end of the exemption on 31 December 2001, the Government is now subject to the full range of prohibited grounds laid out above.

New Zealand's Bill of Rights Act (1990) also affirms a range of civil and political rights and freedoms, including that all people living in New Zealand have:

- The right not to be deprived of life.
- The right not to be subjected to torture or cruel treatment.
- The right not to be subjected to medical or scientific experimentation.
- The right to refuse to undergo medical treatment.
- The right (if a New Zealand citizen who is of or over the age of 18 years) to vote in elections for the House of Representatives, and to offer themselves for membership of the House of Representatives.
- Freedom of thought, conscience and religion.
- Freedom of expression.
- Freedom of peaceful assembly.
- Freedom of movement.
- Freedom from discrimination.
- Freedom to enjoy their own culture, religion and language.
- Freedom from unreasonable search and arbitrary arrest and detainment.
- The right to minimum standards of treatment if arrested.
- The right to justice.
- The right to bring civil proceeding against, and defend proceedings brought by, the Crown.

New Zealand also vests many human rights in the operation of the Treaty of Waitangi and its institutions. New Zealand's founding document, the Treaty of Waitangi, was first signed on 6 February 1840. The status of the Treaty has evolved over time. Unlike many other countries, New Zealand does not have a constitution in the form of a single document, but it has a collection of common laws, customs and legislation that establish the framework of our government. Nevertheless, the Treaty was the initial agreement by which British authority was established here and was later transferred to the

earlier settler parliament. In recent history, successive governments have recognised the importance of the Treaty in the life of the nation. In 1994, the Privy Council commented that the Treaty 'is of the greatest constitutional importance to New Zealand'. Similarly, New Zealand courts have held similar views that attest to the continuing importance and relevance of the Treaty today.

Governance of the Enterprise

Business controls in New Zealand are not, by international standards, strict but all businesses do have some regulations that they have to follow. For example, you might plan to run a business that uses or affects a natural resource. If you do, you may need to apply for a special resource consent to do that. These are some major regulations that you need to know about:

- Employment Relations Act 2000 - helps employees and employers maintain good, fair, productive employment relationships
- Health and Safety in Employment Act 1992 - to prevent injury or harm to people at work and make work activities safe and healthy for everyone
- Resource Management Act 1991 – aims to make sure we protect and manage our resources in a sustainable way
- Building Act 1991 – controls the construction and use of buildings to make sure they are safe in all situations.

The Commerce Commission is an independent organisation whose role is to foster healthy competition and sound regulation in business. It also makes sure that consumers are informed about their choices.

There are three main acts that the Commerce Commission is responsible for:

- Commerce Act 1986
- Fair Trading Act 1986
- Consumers Guarantees Act 1993

The Companies Act 1993 provides the basic rules for establishing and operating a company in New Zealand. Any person may, either alone or together with another person, apply for registration of a company.

Human Resource Management

The Employment Relations Act 2000 governs all employment relationships which arise between employers, employees and unions. The Act has "good faith" as its central principle. Employers, employees and unions must therefore deal with each other honestly and openly as they seek jointly to maximise the effectiveness of production.

The principle underpinning the Act is joint regulation, that is, shared responsibility in the workplace for productivity improvements. This explicit focus on shared collective responsibility within the workplace is at odds with the legislative framework from 1990-1999, which stressed individualistic outcomes.

Key adjustments and changes to the Employment Relations Act

The Employment Relations Act (ERA) has been in place for four years. The Act was reviewed in 2002/03, and a number of improvements were identified to enhance the original intention of the Act. The resulting Employment Relations Amendment Act (No. 2) 2004 aims to better support the key objectives of promoting collective bargaining, good faith, and the effective resolution of employment relationship problems. It also provides employment protection for employees if their job is affected by the sale or transfer of their employer's business or if their work is contracted out.

The ERA is supported by a wide range of measures affecting the workplace, including health and safety, equal opportunity, minimum wages, holiday provision, work-life balance and skill training. In line with most OECD economies, New Zealand has a full suite of such measures, many of which have been updated since 1999.

Section Two:

Community Engagement

- a) There had been no recent formal research conducted on what level of community engagement exists in New Zealand, nor what level of community support revenue is delivered by the business sector.
- b) Our business tax laws neither inhibit nor overtly encourage social investments, 5% of net revenue is tax deductible. Research in the US suggests that on average companies there donate in the 3% to 4 % of net revenue threshold.
- c) Similarly to the US, historically New Zealand has made substantially more significant investments in sports sponsorships than case related marketing.
- d) Our government is only now recognising that a fuller understanding of being able to encourage and measure business investments in the social arena would be beneficial in developing a full economic model or picture
- e) Historically when business have engaged in community partnerships, anecdotally 90% confess to previously practising chairman's choice in selecting community partners and practising a behaviour of short term relationships as opposed to strategic management decisions made with view to long term partnerships
- f) Recently, in the last 2 to 3 years considerable development has occurred in the business sector identifying that they now serve a consumer market that wants to know demands to know what they stand for socially. *See ACNielsen Good is Gold*
- g) Our acceleration in recent years in making social responsibility a mainstream governance agenda item, as opposed to marginal, has been greatly assisted by the following:
 - Growing media coverage on the CSR subject
 - High visibility for consumer research that proves consumers will switch brands to

support companies who have associations with worthy causes

- Appearance of Brokers who can facilitate businesses through this strategic process that many believe they lack the appropriate skill set to do well
- Request from global headquarters for local companies to report robustly on this issue rather than soft reporting
- Alignment with global trends regarding rising consumer cynicism towards big business
- The introduction of a business language that refers to triple bottom line reporting – meaning financial, social and environmental results are reported upon

As an example the countries largest retail chain The Warehouse quote the following in their triple bottom line report:

The Warehouse in Small Towns In New Zealand

In 2004 The Warehouse continued the programme of community impact studies referred to in the 2003 triple bottom line report. The 2004 studies were carried out by Compass Consulting. To date studies have been conducted in: Dannevirke (baseline study in 2001 and follow up in 2003); Wainuiomata (2001); Kaitaia, Kerikeri and Motueka (2004). Additionally, the impact of The Warehouse on local Maori has been undertaken in the three locations studied in 2004.

The majority of consumers interviewed through random telephone surveys in our studies (roughly 1,000 people) considered that The Warehouse has had a positive impact on their towns. Over half those interviewed said they shopped at The Warehouse at least once a month during the previous year. One-in-three of the 250 businesses surveyed believe that the impact of The Warehouse has been positive on their town, higher than the proportion who said it had had a negative impact.

HOW SATISFIED ARE YOU WITH THE WAREHOUSE TRIPLE BOTTOM LINE REPORT? (1 very unsatisfied, 5 very satisfied)

- a) Overall 4.44
- b) Disclosure given on team members 4.39
- c) Disclosure on the community 4.28
- d) Disclosure given about our customers 4.25
- e) Disclosure on our suppliers 4.30
- f) Disclosure on our shareholders 4.36” End

- “Charities are gaining respect as triple-bottom-line reporting encourages businesses to assess the social impact of their business and to boost their public profiles by forming links with charities”.
- “There is no doubt that there is a greater focus on charity - there’s a greater appetite for and recognition of philanthropic work,” says David Doyle, principal of Auckland recruitment company Chamberlin Doyle.
- “And these days, charities seem to have higher-profile people”.

New Zealand Herald
“Do well, and do good too” 18.12.2002

Ongoing research being conducted in New Zealand reveals that the socially motivated consumer..is one of the most attractive consumers in the marketplace.

- Nearly six out of ten of us will buy products or services that cost more than similar ones, if the company selling them stands for something socially.
- A third of us are more likely to remain loyal to the socially engaged company and a sobering six out of ten have already made purchasing decisions based on a company's social stand
- Not only is the consumer who cares emerging as a thoughtful consumer, they are emerging as a very powerful and influential one as well

- On average they are forty plus, earning good money, and living the good life.

A C Nielsen NZ
- Good is Gold 2005

- They rate higher than national averages for dining out, entertaining at home, home decorating and gardening. They are more likely to have personal trainers, do yoga and attend short courses. They are also more likely to eat fresh fruit and vegetables, buy New Zealand made products, eat more chicken than red meat, drink wines most days and buy organic product. And you guessed it - they are big radio listeners!!

Robin Hood Foundation

Government also is careful to be seen to support triple bottom-line reporting as it will provide a new level of transparency

The Government I lead believes there can be no long-term benefit from growth based on low environmental standards which degrade our natural heritage, or which fail to lift the quality of life of all our people.

Since coming to office we have actively promoted innovation and enterprise to build economic prosperity. We are also promoting environmental sustainability, so that we can preserve options for future generations.

The Government is influenced by the triple bottom line concept of integrating economic, social, and environmental factors in our decision-making.

Prime Minister Helen Clark:
Benefits of growth must spread through society
-New Zealand Herald 24.10.2002

You're a busy manager with the bottom line foremost in your mind, when someone asks what the term "business ethics" means to you. If your first response is "Who cares?", you could be bypassing a course of action that advocates say improves profitability as well as makes you and your colleagues feel a whole lot better about going to work.

New Zealand Herald
“Not-for-profit, not for you?”
24/05/03

Dr Steckel, has an acclaimed international reputation as a consultant and speaker on non profit and social enterprise and for-profit strategic corporate citizenship. Since 1984 he has developed earned income strategies, products and services for over 200 non-profit organizations.

He is co author of the best selling book 'Filthy Rich: Turning Non Profit Fantasies into Cold Hard Cash'(2001), 'Making Money while Making a Difference' (1999) and 'In Search of Americas Best Non profits' (1997), Cold Cash , Warm Hearts-(2004).

At a speech made to a collection of New Zealand business and non profit leaders at a Robin Hood function at Westpac Tower in Auckland last night, he tested out on his audience, for the first time internationally, his "Insight Continuum" Theory

Tell me what social benefit you have made possible" he challenged the audience

He started by reframing "CSR" Corporate Social Responsibility into Corporate and Social Return and challenged that for businesses, reputation is either a 'risk 'or a 'competitive advantage' .

"Reputation means trust and candor, they are ethereal, almost like a tattoo or stain".

He suggested that risk management isn't about a fire in the warehouse, but more whether your end user or consumer trusts you.

And that's something that your social stand from a business perspective influences hugely.

"Brands are causes that customers and employees must feel, there has to be something passionate and personal about your brand, or quite simply, you lose"

"The biggest risks a business faces, is a blow to your reputation, or to have your brand seen as unlovable"

His theory challenges how well are businesses are integrating what they stand for socially , as opposed to social responsibility sitting in a silo

within a business as it has done historically .

The world has moved on from the old spray and pray mentality, he said, and now expects a more integrated approach towards social partnerships, that are exploring emotional logic.

"Corporate and Social Return will integrate business units like nothing else has ever managed to do. It will reshape the landscape of how business talks to its customers"

"There is a continuum here, to not think this we way, is not sound business"

An environment where consumer research indicates that on average 6 out of 10 of the population are making purchasing decisions based on companies relationships with charities, then a general climate of a corporate having to disclose their social (as well as environmental) policies has developed rapidly in the last 3 to 5 years

Anecdotally for the Robin Hood Foundation to have signed on 50 of the countries largest companies wanting to take a strategic approach to this is indicative of this growth.

Interestingly, approximately 80% of the Foundations business partners are global entities, often wishing to innovate their social stand in a smaller market as global guidelines on social responsibility are often vague and ambiguous.

Hence there has been confusion as to what kind and amount of corporate disclosure is appropriate. In some cases companies have operated on the minimum 'need to know basis,' viewing this arena as akin to risk management. In other cases companies have chosen to differentiate their brands in the marketplace by highly visible media promotion of their social and environmental practices.

Corporate social disclosure was measured through a number of sentences disclosed, and classified into theme (environment, energy, product, community, employee health and safety, employee other and general) and evidence (monetary quantitative, non-monetary quantitative and declarative.

This study found no clear trend of increasing levels of corporate social disclosure; instead there was an increase in 1997 and a decrease in 1998. Legitimacy theory, political economy theory and economic conditions represented possible explanations for this trend.

Corporate social disclosure did not significantly increase from 1996 to 2000 and disclosure was primarily quantitative and employee other, leading this research to posit that NZ companies are not responding to the increased worldwide importance of corporate social disclosure.

History of Social Disclosure

The emergence of corporate social disclosure can be traced back to the 1960s, when a higher degree of affluence, rising levels of education and increasing pluralism and individualism resulted in increased expectations that businesses assume more responsibility for their social and environmental impact. This was reflected in the formation of social interest groups who demanded greater corporate accountability with reference to social problems such as ecology, minority rights, education, safety and health. Corporate social disclosures were an important way for companies to communicate to stakeholders that they were responding to this increased concern about their social and environmental impact.

Deloitte Touche, Gilkison and KPMG argue that it is important to maintain NZs clean green image through making corporate social disclosures.

The Warehouse Red Sheds (The Literacy Network)

The Warehouse Red Sheds have over one million customers walk through the door every week. The team thought about what they stood for socially, and wanted to align that as closely to their next social partner.

They looked across the social sector until they found a cause that resonated with their stand... “Enabling people to overcome their limitations and feel proud of themselves”

Then they took a brave step. They created a collaboration, where there wasn't one, in the Literacy sector one in four New Zealanders lack the literacy skills they need ... imagine not being able to ever help your kids with their homework, or read a bus timetable ?

Summary

“Although levels of corporate social disclosure by Australian and New Zealand companies were relatively low compared to other countries there appears to be a trend of increasing corporate social disclosure which is reflected in other research from around the world”

An exploratory Investigation into the Corporate Social Disclosure of Selected New Zealand Companies: J. A. Hall. Discussion Paper Series. June 2002

A new term has entered the business vocabulary, social entrepreneur, which generally refers to bringing the business entrepreneurial skill set and flavour into raising awareness towards and addressing social issues.

The business environment in New Zealand is not a highly regulated or indeed a conservative arena. It is a ripe environment for business to innovate and experiment with how it can pay a social role.

As evidenced by the following case studies.....The Literacy Network and Skills Exchange both case studies reflect an innovative approach that goes beyond simply partnering with non profits.

They invited the three major literacy agencies to join a collaboration called **The Literacy Network**....to collectively address the issue, often a hidden problem, that through shame and embarrassment is often a well kept secret.

Within their first month they have raised over \$400,000, run an television awareness raising campaign and full page advertisements in newspaper that were “illiterate” to give people a three second experience of being illiterate.

Key Outcomes:

- In month one The Warehouse raised over \$400,000 for a collaboration of New Zealand’s largest Literacy providers- Literacy Aotearoa, Books in Homes and Hippy.
- Television advertisements supporting the initiative broke Sept 20th
- This partnership collectively provides services to 153,000 New Zealanders

Future opportunity

- This partnership renews for three years, raising up to \$600k per annum
- The collaboration of the three partners yields efficiency cross their operations

AUT – Vodafone Share our Skills

Auckland University of Technology and the countries leading mobile telecommunications company (Vodafone) both wanted to make a difference in the non profit sector. And the biggest asset they both had was their people.

And together they thought about how their people could make a difference if they were to create for them volunteering opportunities.

Not just painting the school hall opportunities, but opportunities that enabled people to really share their skills and expertise

Financial teams helping nonprofits with their books, sales and marketing teams helping them with awareness raising and fundraising campaigns and management teams helping with strategic planning.

They looked at all the volunteering models from around the world and decided to take international best practice, local.

In its first year its estimated it will deliver over \$2 million dollars with of pro bono manhours into the no profit sector.

An added bonus for the university was the fact they had staff who were often looking for good research projects, and over 20,000 students many of whom needed to gain work experience as part of their degrees.

Companies

Increasingly companies are beginning to appreciate the merits of working with social entrepreneurs, mainly for three reasons all related to competitiveness.

Increasingly, companies are discovering that consumers expect them to pay some heed to the social effects of their operation. Companies are discovering that they can 'outsource' the social innovation element to social entrepreneurs in the same way they have done with product innovation and business entrepreneurs.

From a human resources perspective, the ability to attract top talent is a major challenge for companies. But the best and brightest today are looking for more than impressive salaries and stock options. They

want something that gives meaning to their work and their lives. Supporting social entrepreneurs in different ways shows that companies care about more than the bottom line.

*Social Entrepreneurship: an overview
(in Philanthropy News Autumn 2005)*

In summary, New Zealand lacks a robust network of social entrepreneurs to further facilitate development in this area. The only solely social entrepreneurship group that consults at strategic level to business on community partnership exclusivity – i.e. not also being a sustainability advisory entity, is *the Robin Hood Foundation* – founded three years ago, and currently consulting to:

ACNielsen	Hubbards Foods	Radioworks
ACP Media	IAG Australia	Sky TV
Adshel	IBM NZ	Sovereign
Amway of NZ	ING New Zealand	Tegel Foods
ANZ Bank	iSite	The Independent
Asian Institute Of Management (Coca Cola Philippines)	Kellogg's	The NZ Listener
AUT	Levi's	The NZ Women's Weekly
Bendon	Lucire Magazine	The Warehouse
Bestbuys	Maersk NZ	Tower
Buspak	Media 1	Toyota Financial Services
Cadbury	Microsoft	TPF Restaurants (Burger King)
Carter Holt Harvey	Minter Ellison Rudds	United Fresh
Coca Cola	More FM	Val Morgan
Elizabeth Arden	Nokia	Village Skycity Cinemas
Fairfax NZ Ltd	NZ Herald	Vodafone NZ Foundation
Fidelity Life	NZ Post	Westpac
Fosters	Oggi	Yellow Pages
Frucor	Pacific Magazines	
George FM	Philips NZ Ltd	
Goldman Sachs	Prime TV	
Goodman Fielder	Progressive	
Grey Worldwide	Profile Publishing	
	Radio Network	

Additionally two organizations exist to advise and support the philanthropic sector:

support mechanisms for business to increase their level of community engagement

The Fundraising Institute of New Zealand (FINZ)

The Fundraising Institute of New Zealand is the professional body for those employed in or involved with fundraising, sponsorship and events in the not-for-profit sector. Its aim is to promote and uphold professional and ethical fundraising and encourage the development of philanthropy in New Zealand.

Their growing membership currently stands at just over 400, most of whom are professional fundraisers employed by organizations active in the not-for-profit sector in New Zealand.

Philanthropy New Zealand

www.philanthropy.org.nz

The objectives of *Philanthropy New Zealand* are to:

- Improve public understanding of the role of grant making trusts and foundations.
- Advance and protect the common interests of private and corporate grantmakers.
- Foster co-operation between grantmaking trusts and foundations and between individual and corporate donors.
- Encourage and facilitate the exchange of information between members of the Association.
- Increase the number of philanthropic trusts and foundations and grant making organisations within New Zealand.
- Liaise where appropriate, with government, local authorities and the voluntary and corporate sectors on matters of mutual concern

In response to the small number of agencies that support businesses exploring community engagement, research is currently being commissioned by one the countries largest philanthropic trusts, The Tindall Foundation with view to reporting on what resource going forward could be developed to be driver and

Environmental stewardship

New Zealand has governmental entities, a robust legislative framework and numerous global and local NGOs addressing this dialogue.

In varying forms representation of global groups such as WWF, Greenpeace etc to dozens of smaller NGS created in their likeness, often addressing specific environmental concerns.

In addition the 'New Zealand brand' as such has been marketed globally as a clean, green environment, when promoting our exports and the land as a tourist destination and as such the consumer vigilance around this dialogue is higher than many other developed economies.

From a business perspective in terms of gaining guidance on environmental stewardship matters the two main industry advisory bodies are the NZ Business Council for Sustainable Development and The Sustainable Business Network.

The former advises and advocates a Stewardship orientation that permeates the supply chain as follows:

Product Development and Stewardship

The opportunities for reducing social, environmental and economic impacts in a company's interactions with its customers and sales channels generally lie in three areas:

- Improving the processes for efficiently getting the product or service to the consumer – including planning demand and supply
- Product stewardship which adopts a 'cradle to grave' approach
- Improving the design of the product or service as part of product stewardship
- Success is dependent on supply chain partnerships between suppliers and their customers

Product Stewardship

All products have the potential to cause environmental degradation, whether from their manufacturing, use or disposal. For example, a washing machine has environmental impacts through the materials it is made of – such as steel and plastic – the energy, water and detergents consumed during its use and its end-of-life disposal.

In fact, generating electricity for all the appliances in the average New Zealand home produces about five tonnes of climate-changing carbon dioxide (CO₂) every year – as much as two small cars.

New Zealanders would save about \$9 million on annual energy bills and stop nearly 38,000 tonnes of harmful greenhouse gases entering the atmosphere if we could lift the rating of every household appliance by just half a star. That would do as much for the environment as taking 12,000 cars off the road.

However, existing environmental product-related policies have tended to focus on large point sources of pollution, such as industrial emissions and waste management issues, rather than the products themselves and how they contribute to environmental degradation at other points in their life cycles. Measures have also tended to look at the chosen phases in isolation.

Product stewardship is a product-centered approach to environmental protection and social consideration. It requires those in the product life cycle, including manufacturers, retailers, users, and disposers, to share responsibility for reducing the environmental impacts of products and improving the quality of life of those using them.

Product manufacturers can and must take on new responsibilities to reduce the environmental footprint of their products. However, real change cannot be achieved by producers acting alone: retailers, consumers, and the existing waste management infrastructure need to work together to find the most efficient and cost-effective solution.

Businesses and Product Stewardship

In many cases, manufacturers have the greatest ability, and therefore the greatest responsibility, to reduce the environmental impacts of their products. Product stewardship also represents a substantial business opportunity. By rethinking their products, their relationships with the supply chain, and the ultimate customer, some manufacturers are dramatically increasing their productivity, reducing costs, fostering product and market innovation, and providing customers with more value at less environmental impact. Reducing use of toxic substances, designing for reuse and ability to recycle, and creating take-back programmes are just a few of the many opportunities for companies to become better environmental stewards of their products.

Retailers and Product Stewardship

As the sector with the closest ties to consumers, retailers are an important part of product stewardship. They can influence by preferring product providers who offer greater environmental performance, educating the consumer on how to choose environmentally preferable products and enabling consumer return of products for recycling.

Consumers and Product Stewardship

All products are designed with a consumer in mind. Ultimately, it is the consumer who makes the choice between competing products and who must use and dispose of products responsibly. Without consumer engagement in product stewardship, there is no closing of the loop. This means encouraging them to select products responsibly, to use products safely and efficiently and to recycle products that they no longer need.

Local and National Government and Product Stewardship

Ultimately households will only recycle product if facilities are provided to them and the system is easy to use. The Government also has a major opportunity via its procurement policy to promote change. Incorporating environmental and social performance standards into the Calls

for Tender process will have a major impact on product stewardship.

<http://www.nzbcscd.org.nz/supplychain/content.asp?id=237>

These business advisory entities are further supported by government as evidenced in the governmental sustainability report.

- Overarching goal: Sustainable cities: Our cities are healthy, safe and attractive places where business, social and cultural life can flourish.
- Partnership is at the heart of the sustainable development approach.
- We want to engage with others who have a stake in the issues, and work together to develop and implement the program of action.
- Implementing a sustainable developing approach cannot be achieved by the government alone. It requires leadership from other players including local government, iwi/maori, business, NGOS + communities. Strong relationships and partnerships lie at the heart of this approach. The govt. will tackle the issues in the progress of action, by working closely with other sectors.”
- One key issue is to ensure that the NZ Business sector adopts sustainable business practices as businesses in other countries are doing.

Sustainable Development for New Zealand: Marian Hobbs: January 2003; Ministry of Environment, Ministry with Responsibility of Urban Affairs

Section Three:

Supply Chain

New Zealand Business for Social Responsibility summarizes the supply chain parameters as follows:

Management of raw materials and services from suppliers to manufacturer/service provider to customer and back with improvement of the social and environmental impacts explicitly considered.

The supply chain considers the interactions between a business and its customers and suppliers.

Three principal areas:

Procurement

Monitoring the goods and services sourced from external suppliers.

Internal Operations

The impact of logistics and conversion processes from raw materials through to the consumer and back again.

Product Development and Stewardship

Working effectively with customers and sales channels.

Re-evaluating a company's supply chain - from purchasing, planning, and managing the use of materials to shipping and distributing final products, with an emphasis on improving environmental and social performance, has had real benefits for those companies participating in this Guide and others.

Corporate values

Reputation and brand are among a company's principal assets. One of the parameters that can have a negative influence on corporate reputation and share price is whether the company's supply chain is socially responsible and accountable. The book value of a company

is significantly enhanced by investment in its people, environmental impacts and local communities.

Shareholder returns:

Sustainable development pays

Dow Jones has valued more than 300 companies in relation to their sustainable development in the Dow Jones Sustainability Group Index (DJSI). The index provides evidence that sustainable development pays, with companies in the index outperforming the Dow Jones Group Index. The 2003 annual review of the components of the DJSI found that since September 2002 the DJSI World (in US\$) has outperformed the mainstream market, rising 23.1%, compared with 21.2% for the MSCI and 22.7% for the DJ World Index.

NZ Business for Social Responsibility: BENEFITS OF A SUSTAINABLE SUPPLY CHAIN
<http://www.nzbcsc.org.nz/supplychain/content.asp?id=237>

New Zealand is largely made up of small companies, who face a greater challenge in ensuring their supply chain practices support sustainability. They often lack the resources to apply robust measurement practices

The majority of NZ businesses are SMEs. Many lack the time and resources to explore sustainable development. However many have seen the opportunity to innovate and provide products and services inline with sustainability principles

Sustainable Business Network

From a larger business perspective the leading daily newspaper printed the article below, which endeavours to measure how big business rates in both supply chain terms and overall sustainability.

Media tackles the issue both with seeking clarity of the issues and also by attempting in the second story to identify how various score cards fare

New Zealand HERAD 30.07.05

By John Elkington, Chairman of SustainAbility

Globalisation has brought many challenges to the business world, but few rival that of ensuring that ever-extending supply chains are managed - with ever-increasing transparency - to the satisfaction of campaigning NGOs, the media and customers and consumers.

Much of our work has been helping companies such as Ford, Nike and Starbucks to rattle their supply chains by insisting on higher standards of ethical, social and environmental performance.

Nike, in particular, took its industry by surprise this year when its latest corporate responsibility report laid bare much of its own supply chain - information it had long said was too sensitive to disclose.

In many areas, growing numbers of companies have felt compelled to see who could disclose most.

Since 1993, SustainAbility has monitored trends in corporate disclosure and communication with a range of partners, among them the UN and Standard & Poor's.

Risk & Opportunity, our latest report on global trends in corporate non-financial reporting, was launched last year and we are now building up to the next survey, which will be published late next year.

In the meantime, our US team has been reading through 200 of the latest generation of corporate reports in search of emerging best practice, including supply chain management. The reports reveal:

* First: Most companies say they comply with basic supply chain standards such as core environment, health and safety legislation, and labour standards.

* Second: Many companies say they do not permit suppliers to use child or forced labour, and that they comply with minimum wage laws, environmental regulations, overtime restrictions and so on. But you don't have to be an anti-globalisation fanatic to wonder how accurate most of this reporting might be.

The top-scoring business in our 2004 survey was the UK's Co-operative Financial Services, which resulted from the union of the Co-operative Insurance Society (CIS) and The Co-operative Bank.

CFS provides a raft of information on their suppliers, including the ecological and ethical screens that are integrated into how they do business.

Importantly, too, CFS has not only measured the effectiveness of its supplier screens, but also published the results. Even more impressively, CFS has measured the additional costs of pursuing ethical and sustainability best practice compared with lower-cost options of similar quality. And it has surveyed suppliers on their awareness of ethical policies. In the US, meanwhile, a growing number of major brands have been made uncomfortably aware of the need to shine a spotlight back down their supply chains.

Section Four

Challenges

Although New Zealand has relatively robust labour and environmental legislation, the development of community engagement and social entrepreneurship is by comparison undergoing rapid growth and is by comparison resourced.

Although our tax legislations provides good incentive for social partnership – up to 5% of net revenue is tax deductible few CEO's understand this. Considerable work needs to be done to maintain and build upon the ground swell in this area that has commenced.

New Zealand's conservative leaning Business Round Table follows the economist argument as evidenced below:

- The language certainly has a 'feel good' ring to it, but is often vague or vacuous. Substance and spin can be hard to disentangle.
- The NZBR endorses the concepts of corporate responsibility, integrity, self reliance and open and fair conduct in business practices. Its members aim to promote, at the enterprise level, a sense of cooperation and mutual respect between management and individual employees, effective use of human skills, equal opportunities and other social goals in order to maximize employee satisfaction and improve economic performance.

Dr Deane, former vice-chairman said:

- The particular role of business is to produce the goods and services that people as consumers need in their daily lives. In doing so, business provides jobs, generates returns on the savings that people have invested in firms, and raises living standards through innovating and finding ways of using resources more productively. These are hugely important and demanding roles. Material well-being isn't everything, but it matters to people.

Other Quotes:

- Economic growth typically leads to improved environmental quality by raising the demand for it and providing the wherewithal to meet that demand.
- Sponsorship activities and other community programmes than benefit firms and hence their owners are proper business roles.
- It is not just legitimate for directors and managers to spend money on them; it is their duty to do so if it benefits shareholders. However activities of a purely charitable nature that do not benefit shareholders are not legitimate.
- It is wrong to spend money on a pet charity of the CEO's spouse, unless shareholders have agreed.

The Economist:

- The flowering of corporate social responsibility has not taken deep root here

Making Sense of Corporate Citizenship: Roger Kerr, Executive Director, NZ Business Round Table Opportunities_

Future Opportunities

A book published researched in New Zealand called Social Responsibility and Businesses in New Zealand reveals through in-depth research a positive trend to embrace CSR going forward

Social Responsibility and the Company:
a new perspective on governance. Strategy and the Community 1996
By: Adrienne Von Tunzelmann with David Cullwick

The background and context

- Radical reform of economic management in 1980s led to increases in business competitiveness driven by deregulation etc: as many NZ companies emerge from this period of major business change, they have not only continued a long tradition of taking an active role in society, but they are also paying renewed attention to social and community involvement.
- Businesses appear to be developing the view that it is possible to use the company's resources to benefit society at the same time as meeting the requirements of business profitability.
- Leading companies are already operating on this basis.
- Increasing foreign ownership of NZ companies is adding emphasis and new dimensions to the role business plays in the community.

The Evolving Context for Corporate Social Responsibility in New Zealand: 4 major elements may influence the context for CSR in NZ

- 1) Economic and social reform and changing business relationships
- 2) The changing nature of competition driven by economic reform and social change
- 3) Business strategy and management responses to the forces of competition.

- 4) The world-wide attention to corporate governance

Corporate Social Responsibility in NZ: The research

The research participants: 3 formal processes: interviews with company executives and directors, focus groups and a seminar.

13 companies took part including a range of ownership structures (public, closely held +state owned), industry sectors (utilities, manufacturing, communications, technology, transport, finance and professional services), geographical locations (national and local) and sizes (large and medium)

An Overview of Findings

- 1) all the companies had established tradition of some form of active involvement in the community and existence of a vision and core ideology
- 2) There was a strong consensus among company representatives and public, private and voluntary sector commentators that whatever else might motivate the companies corporate social responsibility commitment, a minimal requirement was that it be at least consistent with the commercial interests of the company
- 3) The nature of the industry had some influence on the form of the company's involvement e.g. Companies with manufacturing operations located in non-urban communities were more likely to support local than national causes.

Business and Government

Government policy was perceived to have following impacts:

- 1) The removal of the welfare state 'straitjacket' has expanded choice in 'who does what' creating conditions in

which businesses can pursue 'enlightened self-interest' more freely.

- 2) It is easier in the deregulated environment to see where business fits in as part of wider society and easier to see the landscape for social responsibility actions, particularly in terms of where business involvement might be an effective form of intervention to achieve social goals and community benefits.
- 3) Even among companies with a dominant business drive behind their involvement in social and community issues, there are indications of an elective response to real social need "because it warrants doing rather than because it is a business tool".
- 4) The benefit to business lay not just in the general climate of trust and goodwill facilitative of business, but in a 'community of interest' in improving social conditions.

Corporate Values

Companies described the motivation for 'good corporate citizenship' as the desire to be well-regarded in the community. 'Companies just like to be liked'.

As an executive in one large corporation put it "it can't be done issue by issue just when the company has a problem. People will see through that. And the company misses out on one of the most important benefits of community involvement, which is building networks in the community to keep the company in touch with consumer trends and learn about community concerns ahead of the problem."

Managing Exposure through Corporate Social Responsibility

A very evident and for most companies, comparatively recent development is their increasing sophistication in managing sponsorships and other forms of community involvement. Companies are applying skills in strategy, planning, communication and

evaluation to improve their sponsorship and community relationships.

All the companies interviewed had basic policies and practices for making decisions on their social responsibility programmes and projects.

Most companies had gone beyond reactive systems for responding to the flow of requests or sponsorship or donations and had established or were investigating well-thought out ways of linking sponsorships with business strategies"

*Social Responsibility and the Company:
Adrienne Von Tunzelmann
with David Cullwick 1996*

Summary

New Zealand is a small market (4 million people) where many global companies encourage a local entrepreneurial spirit as opposed to stricter implementation policies evidenced in larger countries.

This creates an environment for social innovation within corporate social responsibility as evidenced by the case studies referenced in this report.

In terms of environmental stewardship, there is a robust legislative framework in place, and a strong infrastructure of governmental and non governmental agencies monitoring business behavior.

Our transparency of supply chain being accountable towards the sustainability dialogue is in its infancy, as evidenced by the article within this section. We import significant amounts of goods (RIZ) from third world economies where compliance on labour standards are not well monitored as yet. In numerous cases what Wal-Mart leaves behind is bought by our retailers.

